



ESTIMATED U.S. PETROLEUM BALANCE

SUMMARY

The year-to-year decline in deliveries continued in May, largely reflecting the recent dampening of economic activity. The level of total domestic products supplied fell 408 MBD (2.6%) compared with last May's. Of the major products, only gasoline showed an increase, and almost all of that rise was attributable to a change in reporting basis.

Crude production, for the first time in more than a decade, exceeded 9 million barrels a day because of higher Alaskan output. Imports, while still below last May's level, rose about 900 MBD compared with April levels. Inventories rose 25 million barrels, almost twice as much as their normal increase at this time of year.

PRODUCTS SUPPLIED^{1/}

Gasoline

UP MORE THAN 1 PERCENT.

May deliveries of gasoline, mainly on the strength of substantial delivery levels in the second half of the month, rose 77 MBD (1.1%) over year-earlier levels. The current-year level includes an estimated 60-70 MBD sold by blenders not part of last year's reporting universe, so that, on a comparable reporting basis, May deliveries were almost equal to last year's level.

Gasoline pump prices rose about 2½¢ from prior-month levels to minimally exceed year-earlier prices; on an inflation-adjusted basis, they still trail May 1984 levels by about 3% and March 1981's high by about 27%. Combined with a 3% increase in real disposable personal income (1st Qtr. 1985 vs. 1st Qtr. 1984), this should have placed current volume levels some 3% above last year's level. Increases in engine efficiency, however, are estimated to have provided an almost complete offset.

Unleaded gasoline's share of the gasoline market, at more than 62%, remained in the low-60's range, a level that has prevailed since late-1984. The current share is some four percentage points above prior-year levels.

Distillates

ABOUT 7½% BELOW YEAR-AGO LEVELS.

Of the 216 MBD (7.6%) decline in distillate deliveries, about half is believed to have been the result of declining rail and highway traffic. The remainder is likely to be linked to buyers' deferral of storage replenishment amidst falling distillate prices and an atmosphere of continuing crude price uncertainties. Rail traffic has been below year-earlier levels since early in the year and is currently some 3% below May 1984 levels. Truck traffic has also declined, falling an estimated 6% below year-earlier figures in April (latest data available) and likely experiencing a similar decrease in May.

During the first five months, temperatures were about 4° warmer than in the corresponding 1984 period, accounting for a portion of the 39 MBD year-to-year decline in distillate deliveries. Deliveries were also affected by a gradual decrease in truck and rail traffic, which declined from prior-year levels as the economic recovery slackened.

Residual Fuel Oil

ALMOST 12% LOWER THAN LAST YEAR.

Despite a substantial decline in residual fuel oil prices, deliveries in May were an estimated 142 MBD (11.7%) below last year's level. For the year to date, residual fuel oil levels are 21% below the corresponding period last year.

During May, residual fuel oil prices continued to decline, falling as much as \$6-7 per barrel below early 1985 levels by the end of the month and by an even larger amount when compared with May 1984 levels. As a result, the gap between residual fuel oil prices and natural gas prices shrank considerably. At some market levels, in fact, residual fuel oil prices in some areas were equal to or even below natural gas prices on a fuel-equivalent basis. This occurred despite the fact that natural gas prices also experienced a downward trend in recent months, though their decline has been far less drastic.

Nevertheless, residual fuel oil deliveries have not rebounded. During the first quarter of the year (most recent data available), electric utilities and the industrial sector shared almost equally in the decline. It is believed, however, that May's loss may in good part have been concentrated in the electric utilities sector. Many firms with industrial boilers, often smaller in capacity, have been installing dual-fuel capability, and, as a result, should have been in a good position to take advantage of changes in relative price structures.

Kerosine Jet Fuel

ABOUT 1/2% BELOW MAY 1984 LEVELS.

Deliveries of kerosine jet fuel fell minimally from year-ago levels. A strike against United Airlines during the last two weeks of the month is in good part responsible for holding down May delivery levels. Miles flown during the first quarter of 1985 were about 4% above strong year-earlier levels. As the recent trend has been one of waning year-to-year increases, it is likely that strike-affected May experienced only a slight increase in miles flown, if any.

During the first five months of the year, kerosene jet fuel deliveries were only marginally ahead of last year. The comparison of delivery levels for the year to date is affected to a degree by possible diversion to distillate use in January 1984 and the fact that May 1985 deliveries were only about even with last year because of the United strike. It appears, however, that air traffic increases this year have not been as large as last year, despite strong fare incentives, and that efficiency improvements are continuing to have a substantial effect on jet fuel use.

Other Oils

ALMOST 4% BELOW LAST MAY'S LEVEL.

The level of other oils supplied in May fell an estimated 139 MBD (3.7%) from May 1984 levels. Chemical company activity continues to trail early 1984's strong pace and imports have been on the rise. During the first quarter, levels of 10 leading chemicals imported rose by more than a third.

First quarter 1985 deliveries of petrochemical feedstocks fell about 90 MBD (21%) compared with the corresponding 1984 period and are estimated to have fallen by more than a third in May.

Liquefied petroleum gases rose a scant 3% over last year's level during the first quarter, mainly because of higher butane and propane sales, the latter mainly the result of colder weather early in the first quarter. May propane sales, more oriented towards chemical applications at this time of year, are estimated to have fallen slightly compared with year-earlier levels. Ethane sales during the first quarter were about 4% below last year's but its demand level is estimated to have turned positive in May.

Asphalt and road oil deliveries were slightly ahead of last year during the first quarter. Whatever increase occurred is essentially the result of larger funds provided by state and local authorities. Allocation of substantial federal funds did not take place until March and is unlikely to have affected May asphalt and road oil deliveries.

	MAY ESTIMATES			YEAR-TO-DATE ESTIMATES		
	1985	1984	% Change	1985	1984	% Change
(In millions of B/D)						
—Total domestic products supplied	15.2	15.6	(2.6)	15.6	15.8	(1.9)
—Motor gasoline supplied	7.0	6.9	1.1	6.7	6.5	2.2
—Distillate fuel oil supplied	2.6	2.8	(7.6)	3.0	3.1	(1.3)
—Residual fuel oil supplied	1.1	1.2	(11.7)	1.2	1.6	(21.0)

PETROLEUM SUPPLY^{1/}

Petroleum supply fell 432 MBD in May compared with year-earlier levels. Imports were 163 MBD below last May's and total domestic supply fell 269 MBD.

Production

UP 1% OVER LAST MAY'S LEVEL.

Crude oil production rose 90 MBD (1.0%) over May 1984 levels, mainly as a result of roughly 150 MBD higher output in Alaska, where Kuparuk field production was running at double year-earlier levels. Lower 48 production, however, was about 60 MBD below last May's, counter to the generally-upward trend that began in early 1983.

Overall, as attached Exhibit A shows, U.S. crude oil production, from a roughly 8.6 MBD level prevailing in 1982, has steadily risen to the current 9 million barrels per day, a level not reached since early 1974. About half of the increase occurred in the lower 48. The pattern, however, has not been equal in all areas. A substantial increase in production in Louisiana since 1982, some 230 MBD, was partially offset by a 130 MBD decline in Texan production. Substantial increases occurred in other states, mainly California, Oklahoma and Kansas.

This increase in output is in stark contrast to the loss of some 300 MBD per year during most of the seventies. As Exhibit A indicates, production would at this point be some 1.8 million barrels per day lower had the steady erosion of the price-controlled seventies continued.

Imports

DOWN AL- MOST 3%.

Total imports fell 163 MBD (2.9%) in May compared with last year's. Though below year-ago levels, May imports showed the smallest year-to-year decrease so far this year.

Crude imports, likely as a result of recurring price volatility following a period of relative market stability in late March/early April, were almost 200 MBD below year-ago levels.

Gasoline imports (including gasoline components) are estimated to have risen about 125 MBD in May to the 550-575 MBD level. While proposals to resolve questions of product classification and tariffs are under consideration, there continued to be difficulties regarding classification of gasoline component imports. As a result, the current level of such imports ultimately affecting the gasoline pool may well be higher than our current estimate of about 120 MBD.

Distillate imports were minimally ahead of year-earlier levels as the heating season ended and inventories rose.

Mexico was the largest source of petroleum imports into the U.S. in March (latest data available), followed by Canada, Venezuela, and Indonesia.

During March—and for the first three months of the year—OPEC countries accounted for about 32% of petroleum imports into the U.S. and non-OPEC countries for 68%. This is a slightly lesser OPEC percentage than last year's more-than-34% share.

Inventories

ROSE TWICE THEIR HISTORICAL SEASONAL INCREASE.

Inventories rose about 25 million barrels from April levels, almost twice the historical seasonal increase. About one-third of the increase occurred in crude oil stocks which, at 355 million barrels, are now in the upper part of the 340-360 million barrel range maintained during the past three years.

Motor gasoline stocks, which over the past decade have on average fallen several million barrels in May, instead experienced a 2 million barrel increase this year. Production rose more than 200 MBD above April levels. A buildup early in the month was interrupted by strengthening demand later in the month. Gasoline inventories represented 31 days of supply, about equal to the historical May average. Distillate inventories rose about 8 million barrels in May and are almost 7 million barrels higher than last year's weather-depleted levels.

May's total stock levels were some 69 million barrels lower than last year's, high then in part because of a buildup related to the need to replenish distillate inventories.

Operations

UTILIZATION UP 1 PERCENT- AGE POINT.

Attached Exhibit B traces the relationship of operable capacity and input to distillation units since 1981. Input to crude oil distillation units drifted downward until 1983 and then stabilized as demand started to recover. Operable capacity has shown relatively steady erosion, falling from about 18.6 million barrels per day in early 1981 to May's 15.5 million barrel per day level.

A roughly 275 MBD drop in input to crude oil distillation units since last May was overshadowed by an estimated 560 MBD reduction in operable capacity. As a result, refinery utilization rose 1.1 percentage points over last year's rate.

With crude oil inventories at recent-month highs, there is increased capability for refiners to vary product output. More than 2 million barrels of active capacity is not in actual operation. In addition, at least a portion of idle operable capacity of some 1.3 million barrels is rather quickly convertible to active status, providing further product output and production flexibility, if needed.

(In millions of B/D)	MAY ESTIMATES			YEAR-TO-DATE ESTIMATES		
	1985	1984	% Change	1985	1984	% Change
—Total supply	16.7	17.1	(2.5)	15.8	16.6	(5.1)
—Crude production ^{2/}	9.0	8.9	1.0	8.9	8.8	0.9
—Crude oil imports ^{3/4/}	3.5	3.7	(5.2)	2.8	3.2	(13.1)
—Product imports	2.0	2.0	1.5	1.8	2.1	(16.3)

1/ Total supply, i.e., production plus imports adjusted for net stock change is equal to total products supplied from primary storage. Total products supplied from primary storage less exports is equal to total domestic products supplied. Information contained in this report is derived from information published in the API's Weekly Bulletin and is based on historical analysis of the industry. All data reflect the most current information available to the API and include all previously published revisions.

2/ Includes lease condensate.

3/ Beginning with January 1977, the U.S. Department of Energy began reporting crude oil imports as of the date of importation. Previously, this data, with the exception of Canadian crude imports, was reported as of the date it was received at the refinery. This change may affect both the level of crude oil imports and crude oil stocks. API estimates of these data may, therefore, differ slightly from those of the U.S. Department of Energy.

4/ API data do not include crude oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR (according to the U.S. Department of Energy, the SPR held approximately 472 million barrels as of May 31, 1985).

ESTIMATED UNITED STATES PETROLEUM BALANCE

(Daily Average in Thousands of 42 Gallon Barrels)

Products Supplied/Supply From Primary Storage	MAY			YEAR-TO-DATE		
	1985 ¹	1984 ²	% Change	1985 ^{3R}	1984 ²	% Change
Products Supplied:						
Total motor gasoline	6,950	6,873	1.1	6,662	6,517	2.2
Finished leaded motor gasoline*	2,613	2,882	(9.3)	2,482	2,759	(10.0)
Finished unleaded motor gasoline*	4,337	3,991	8.7	4,180	3,758	11.2
Naphtha-jet	215	240	(10.4)	213	215	(0.9)
Kerosine-jet	893	897	(0.4)	934	924	1.1
Distillate fuel oil	2,611	2,827	(7.6)	3,034	3,073	(1.3)
Residual fuel oil	1,076	1,218	(11.7)	1,233	1,560	(21.0)
All other oils ⁴	3,658	3,797	(3.7)	3,679	3,772	(2.5)
Reclassified ⁵	- 243	- 284	(14.4)	- 205	- 215	(4.7)
Total domestic products supplied	15,160	15,568	(2.6)	15,550	15,846	(1.9)
Exports	722	766	(5.7)	787	685	14.9
Total products supplied	15,882	16,334	(2.8)	16,337	16,531	(1.2)
Supply:						
Domestic production:						
Crude oil ⁶	9,032	8,942	1.0	8,893	8,816	0.9
Natural gas liquids	1,630	1,610	1.2	1,631	1,605	1.6
Other supply ⁷	525	904	(41.9)	715	903	(20.8)
Total domestic supply	11,187	11,456	(2.3)	11,239	11,324	(0.8)
Imports:						
Crude oil, total	3,488 ^{10/}	3,681 ^{10/}	(5.2)	2,772 ^{10/}	3,190 ^{10/}	(13.1)
Canadian	506	377	34.2	450	357	26.1
Other	2,982	3,304	(9.7)	2,322	2,833	(18.0)
Products, total	2,019	1,989	1.5	1,787	2,134	(16.3)
Residual fuel oil ⁸	396	554	(28.5)	481	795	(39.5)
Other	1,623	1,435	13.1	1,306	1,339	(2.5)
Total imports	5,507	5,670	(2.9)	4,559	5,324	(14.4)
Total supply	16,694	17,126	(2.5)	15,798	16,648	(5.1)
Stock change, all oils	+ 812	+ 792	XXXX	- 539	+ 117	XXXX
Refinery Operations						
Input to crude oil distillation units	12,141	12,414	(2.2)	11,713	12,126	(3.4)
Operable capacity	15,514	16,076	(3.5)	15,534	16,128	(3.7)
Refinery utilization (%) ⁹	78.3%	77.2%	1.4	75.4%	75.2%	0.3
Crude oil runs	11,966	12,243	(2.3)	11,580	11,949	(3.1)

Stocks (millions bbls.)	1985		1984 ²	% Change from . . .	
	May 31 ⁹	Apr. 30 ⁹		Previous Month	Year Ago
Crude oil ^{10/}	355.1	347.3 ^{R/}	359.1	2.2	(1.1)
Unfinished oils	113.3	112.5	122.2	0.7	(7.3)
Total motor gasoline**	215.7	213.8 ^{R/}	252.8	0.9	(14.7)
Finished leaded motor gasoline*	76.4	77.9 ^{R/}	101.2	(1.9)	(24.5)
Finished unleaded motor gasoline*	105.0	101.9 ^{R/}	109.5	3.0	(4.1)
Naphtha-jet	6.7	6.2	6.6	8.1	1.5
Kerosine-jet	34.7	35.1 ^{R/}	34.3	(1.1)	1.2
Distillate fuel oil	104.7	97.0 ^{R/}	98.2	7.9	6.6
Residual fuel oil	43.1	45.7	46.3	(5.7)	(6.9)
All other oils	150.0	140.5 ^{R/}	173.0	6.8	(13.3)
Total all oils	1,023.3	998.1 ^{R/}	1,092.5	2.5	(6.3)

1/ Based on API estimated data converted to a monthly basis.

2/ Source: U.S. Department of Energy.

3/ Source: January-March, U.S. Department of Energy, April-May, API.

4/ Includes crude losses.

5/ Beginning with January 1981, U.S. Department of Energy began using a new data collection system which encompasses a method to ascertain the amount of product reclassified during the production phase. So that there will be no double counting of these volumes, they are subtracted from total domestic products supplied.

6/ Includes lease condensate.

7/ Includes Unaccounted-for crude oil, Refinery input of other hydrocarbons, and Processing gain.

8/ Represents "Input to crude oil distillation units" as a percent of "Operable capacity."

9/ Derived by interpolating API weekly stocks data.

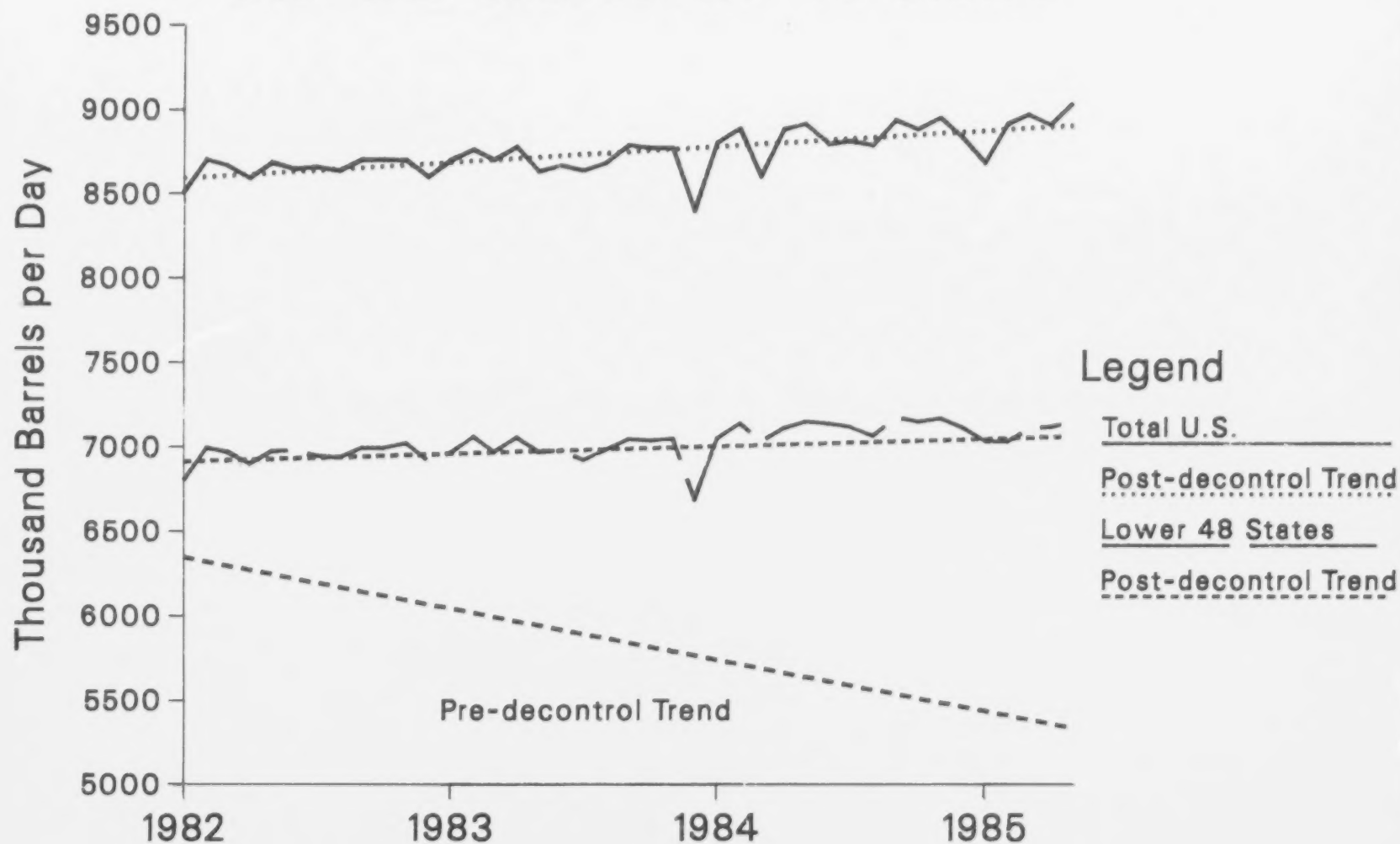
10/ Data do not include oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR.

R/ Revised.

* Included in motor gasoline.

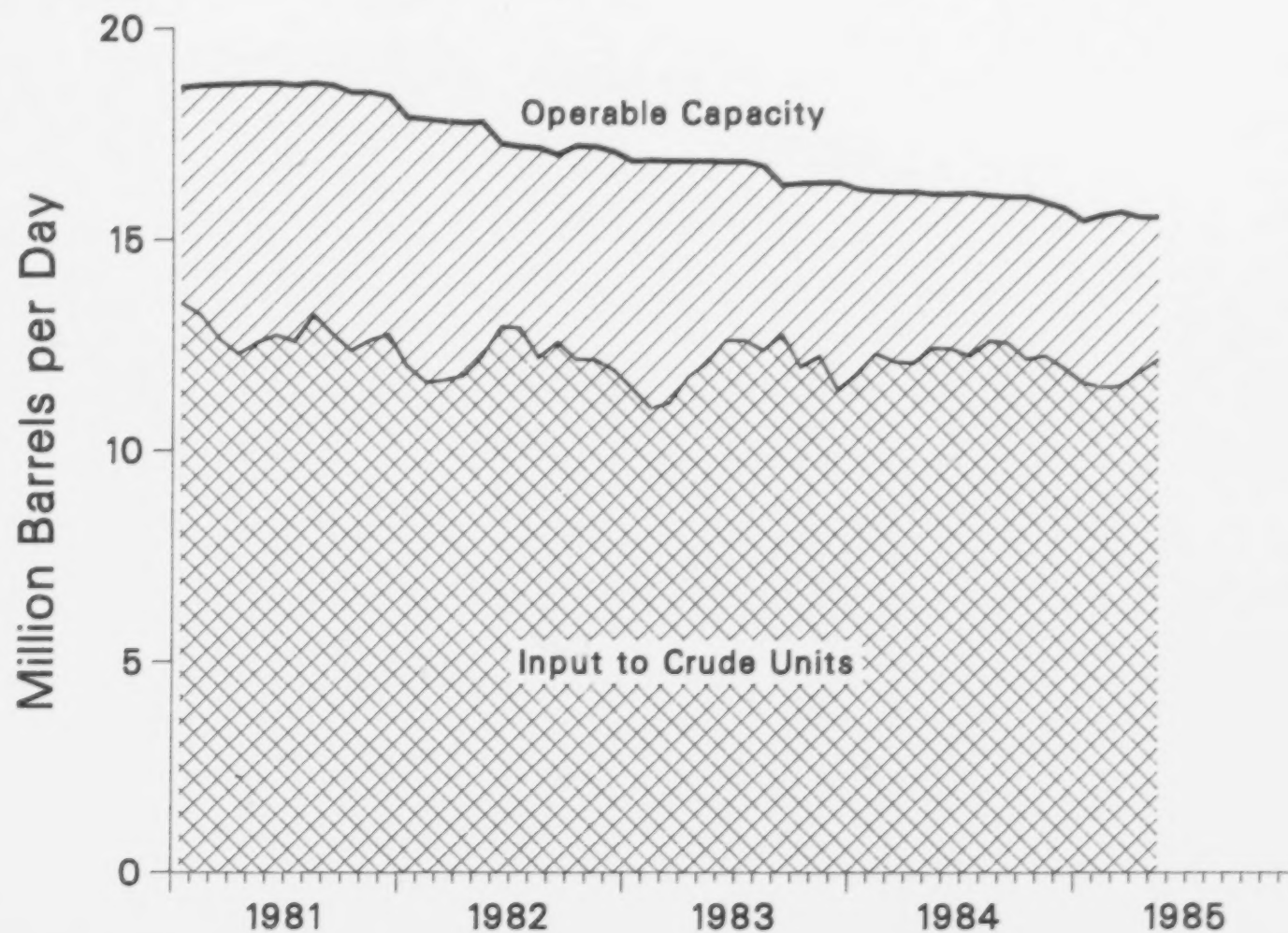
** Includes finished leaded, finished unleaded, and motor gasoline blending components stocks.

Domestic Crude Oil Production and Trends Total U.S. and Lower 48 States



Source: Dept. of Energy/Energy Information Admin. and
American Petroleum Institute

REFINERY OPERATIONS AND OPERABLE CAPACITY



Sources: Department of Energy, American Petroleum Institute